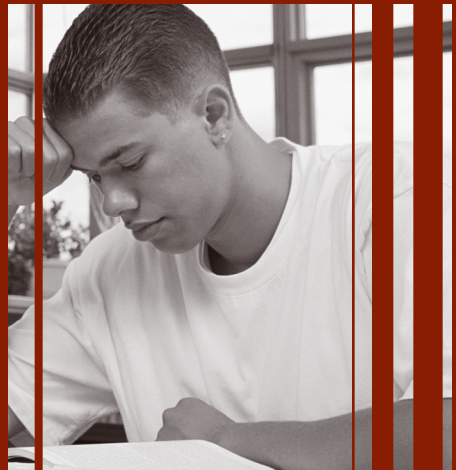


funding your education

2005-2006



Useful Web Sites

- Student Aid on the Web* www.studentaid.ed.gov
- Find more information on federal student aid and access sources of nonfederal aid.
 - Apply online using *FAFSA on the Web* (the online version of the *Free Application for Federal Student Aid* [FAFSA]).
 - Obtain a PIN (a personal identifying number; makes applying online faster).
 - Get information to help you decide on a career and locate schools offering majors in that field. Then apply to various schools online without leaving the site.
 - Using “MyFSA,” create a personalized folder to record your interests, career and college searches, and any relevant personal information. Use “MyFSA” to track your progress in the college or career school planning and application process.
- Free* help completing the *Free Application for Federal Student Aid* (FAFSA) www.studentaid.ed.gov/completefafsa
- Direct Loan Web site www.ed.gov/DirectLoan
- U.S. Department of Labor’s *Occupational Outlook Handbook* (information on various careers and potential earnings in each) www.bls.gov/oco

Frequently Requested Telephone Numbers and Contact Information

- Federal Student Aid Information Center (FSAIC) **1-800-4-FED-AID (1-800-433-3243)**
- TTY users (for the hearing-impaired) can call **1-800-730-8913**
- Callers in locations without access to 800 numbers may call **1-319-337-5665**
(this is not a toll free number)

The FSAIC staff can answer your student aid questions and can give you all the help you need—**FREE**—including

- information about federal student aid programs;
- help completing the FAFSA;
- help in making corrections to your *Student Aid Report* (SAR)—the document that contains your application results;
- information about the process of determining financial need and awarding aid; and
- information about your federal student loans.

You can use the FSAIC’s automated response system to find out if your FAFSA has been processed and to request a copy of your SAR.

You can also write to the Federal Student Aid Information Center:

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044-0084

Office of Inspector General

To report student aid fraud (including identity theft), waste, or abuse of U.S. Department of Education funds

- call **1-800-MIS-USED (1-800-647-8733)**
- e-mail **oig.hotline@ed.gov**
- visit **www.ed.gov/misused**

Contents

Education After High School 2

What questions should I ask a school? 2

Reducing the Cost of School 2

Lower-cost schools. 2

Work or volunteer opportunities 2

Tax breaks 2

Sources for Help in Paying School Costs..... 3

What about scholarship search services? 3

How can I tell these search services aren't
scams? Are there any signs I should look for? 3

Federal Student Aid 3

Who can get federal student aid? 3

What about the financial need requirement? 4

So, how do I know how much aid I can get? 4

I think I have some special circumstances in
my family. Are those considered in determining
my financial need? 4

Applying for Federal Student Aid..... 4

How do I apply? 4

But I hate filling out a bunch of paperwork. 5

Could I apply online? 5

What if I decide I want a paper application? 5

When do I apply? 5

What do I need before I fill out the *Free Application
for Federal Student Aid (FAFSA)*? 5

What if I need help filling out my application? 6

How can I find out the status of my application
after I submit it? 6

How do the schools I'm interested in get my
FAFSA information? 6

Your Dependency Status..... 6

If I'm considered a dependent student at the
time I apply, but my parents are divorced or
separated, whose information would I report on
the FAFSA? 7

When it's time to apply, I'll be considered a
dependent student, but I have no contact
with my parents. What do I do about reporting
their income? 7

The Student Aid Report (SAR)..... 8

What do I do with my SAR? 8

Once my SAR is correct and complete, how do

I find out if I'm eligible and what aid

I'll receive? 9

Types of Federal Student Aid 9

Grants 9

How much can I get? 9

What's the difference between these grants? 9

How will I be paid? 9

Federal Work-Study 10

How much can I make? 10

Can I work as many hours as I want? 10

Where are the jobs located? 10

Loans 10

Federal Perkins Loans 10

Stafford Loans 10

Student Loan Comparison Chart. 11

PLUS Loans 12

What are the differences in these loan
programs? 12

How do I apply for a Perkins or

Stafford Loan? 12

How much money can I get? 12

How will I get my loan funds? 13

Other than interest, is there any other charge
associated with these loans? 13

So, when do I start repaying my loans? 13

How much time do I have to repay? 13

What if I have trouble repaying my loan? 13

What is default? 14

Are there any situations where my loan could be
canceled? 14

PLUS Loans (Parent Loans) 14

What are PLUS Loans? 14

How do my parents get a loan? 14

How much can my parents borrow? 15

Do my parents get the money or do I? 15

When do my parents begin repaying
the loan? 15

Contacting Us for More Information..... 15

Taking the Next Step 15

What kind of information should I get
from a school? 15

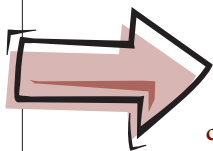
Funding

Funding Your Education

Education After High School

Education beyond high school is a big investment of time, money, and effort. You'll need to figure out how to pay for your education. The U.S. Department of Education offers a variety of student financial aid programs, which this publication describes.

You'll also need to carefully evaluate the schools you're considering. Just because a school participates in our federal student aid programs doesn't mean we've endorsed the quality of education the school offers. We don't approve a school's curricula, policies, or administrative practices, except as they relate to how the school operates the federal student aid programs.



Note: When we refer to “school” in this publication, we mean a two- or four-year public or private college, university, or a career or trade school.

What questions should I ask a school?

Some basic questions you should ask when considering a college or career school are

- Does the school offer the courses and type of program I want?
- Do I meet the admissions requirements?
- Does the school offer a high-quality education?
- Does the school offer services I need and activities I'm interested in?
- What are job placement rates for students who have recently graduated?

Most of this information is covered in a school's catalog or in its introductory brochures. Also, check the reference section of your local library.

You can find a lot of information on the Internet; many colleges and career schools have Web sites. If you know someone who attends or attended a school you're considering, ask his or her opinion of the school. For specific suggestions on what to find out at the schools you're considering, see page 15.

You're paying for a high-quality education. Make sure you get it.

Reducing the Cost of School

Check out ways to reduce college or career school costs.

Lower-cost schools

If you'll be working toward a bachelor's degree, you might consider starting at a two-year community college and then transferring to a four-year school. Community colleges are usually less expensive than four-year schools. (Some four-year schools that are partially funded by local and state taxes can be less expensive as well.) Make sure your community college courses will transfer to your four-year school and that those courses will count toward your bachelor's degree.

Since a community college allows you to live at home, you can save money on room and board.

Work or volunteer opportunities

You can work part time to pay part of your costs. Be sure your work and school schedules don't conflict and that you save enough time for studying.

AmeriCorps is a program that offers education awards in return for national service. For more information, contact the Corporation for National Service:

Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

1-800-942-2677

TTY number: 1-800-833-3722

www.americorps.org

Tax breaks

Hope tax credit or Lifetime Learning tax credit: You or your parents might qualify for one or both of these. IRS Publication 970, *Tax Benefits for Higher Education*, explains these credits and other tax benefits for postsecondary students.

Certain borrowers can take a tax deduction for the interest they pay on student loans. This benefit applies to all loans used to pay for postsecondary education costs. The maximum deduction is \$2,500 a year.

For more information, go to the IRS Web site at **www.irs.gov**, or call the IRS at **1-800-829-1040**. TTY callers can call **1-800-829-4059**.

Sources for Help in Paying School Costs

Most student financial aid comes from the U.S. Department of Education grant, work-study, and loan programs you'll read about here. We award almost all aid based on your demonstrated financial need; your grades or class ranking are not considered.

See pages 9-15 for more information on our programs. You can also go to our Web site www.studentaid.ed.gov for greater detail.

Learn about **state aid programs** by contacting your state higher education agency (see the inside back cover of this publication for a list of agencies' phone numbers).

Check with your **high school counselor or the college or career school** you plan to attend to learn about other aid programs.

Check the reference section of your local **public library** or check the **Web**—for both sources, use key words such as “financial aid,” “student aid,” or “scholarships.”

Research **organizations**, including foundations, religious organizations, fraternities or sororities, and town or city clubs. These groups often offer financial assistance. Include in your search community organizations and civic groups such as the American Legion, YMCA, 4-H Club, Elks, Kiwanis, Jaycees, and the Girl or Boy Scouts.

The **U.S. Armed Forces** also offer financial aid opportunities if you choose to serve. For more information on recruitment incentives, visit the U.S. Department of Defense DefenseLink Web site at www.todaysmilitary.com. Click on “What You Get” at the top of the site. Then go to “College Help.” You can also contact your local recruiter for information.

What about scholarship search services?

Many private scholarship search services provide sources of financial assistance. We do not evaluate those services. If you decide to use a service, check its reputation by contacting the Better Business Bureau or a state attorney general's office.

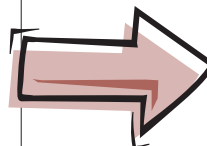
How can I tell these search services aren't scams? Are there any signs I should look for?



Estimates show that families lose millions of dollars to scholarship fraud every year. The College Scholarship Fraud Prevention Act provides protection against fraud in student financial assistance. The Federal Trade Commission (FTC) cautions students to look for these telltale lines: “The scholarship is guaranteed or your money back.”

“You can't get this information anywhere else.” “I just need your credit card or bank account number to hold this scholarship.” “You've been selected by a ‘national foundation’ to receive a scholarship,” or “You're a finalist” in a contest you never entered.

When searching for information on student financial aid, make sure information and offers are legitimate. Don't fall prey to fraud. To file a complaint, or for free information, call 1-877-FTC-HELP (1-877-382-4357) or visit www.ftc.gov/scholarshipscams.



Remember, you can check the FREE sources we've mentioned on this page for help finding student aid, and you can check with the colleges or career schools you'll be applying to for their help. You don't have to pay for help.

Federal Student Aid

Who can get federal student aid?

Eligibility for our programs is based on financial need and on several other factors. Your eligibility is determined by the information you provide on the *Free Application for Federal Student Aid* (FAFSA)—see the next page.

Here are some of the basic requirements you must meet:

- Demonstrate financial need (except for certain loans—see the next page).
- Demonstrate by one of the following means that you're qualified to enroll in postsecondary education:
 - Have a high school diploma or a General Education Development (GED) Certificate;

- Pass an approved ability-to-benefit (ATB) test (if you don't have a diploma or GED, a school can administer a test to determine whether you can benefit from the education offered at that school);
- Meet other standards your state establishes that we have approved; or
- Complete a high school education in a home school setting approved under state law.

- Be working toward a degree or certificate in an eligible program.
- Be a U.S. citizen or eligible noncitizen (such as a permanent resident).
- Maintain satisfactory academic progress once in school.

You might not be able to receive federal student aid if you've been convicted under federal or state law of selling or possessing illegal drugs. If you have a conviction for these offenses, contact the Federal Student Aid Information Center (see the inside front cover of this publication for contact information) to find out your status. Even if you're ineligible for federal aid, you should still complete the federal student aid application (the FAFSA—see the next column): Many schools and states use the FAFSA to determine eligibility for aid they offer.

If you have a question about your citizenship status, contact the financial aid office at the college or career school you plan to attend.

What about the financial need requirement?

Aid from most of our programs is awarded based on financial need (except for unsubsidized Stafford Loans and PLUS loans—see pages 13 and 14).

Your financial need is calculated according to a formula established by law. We use an Expected Family Contribution (EFC) number when we determine your need. The EFC is a measure of your family's financial strength and is calculated from the information you report on our *Free Application for Federal Student Aid* (FAFSA)—see the next column. Your EFC will appear on the *Student Aid Report* (SAR) you receive (see page 8).

To be eligible for a Federal Pell Grant (see page 9), your EFC must be below a certain number, which can vary from year to year. At the time this booklet was published, that number

hadn't been established. For the 2004-2005 award year, eligibility for a Pell Grant required an EFC of under 3850.

To determine your financial need for our other federal student aid programs (unless you receive an unsubsidized Stafford Loan [see page 13]), your school will subtract from your cost of attendance the following: the EFC, any Federal Pell Grant amount you're eligible for, and other financial aid you'll receive. If anything is left over, you're considered to have financial need for additional federal student aid.

So, how do I know how much aid I can get?

Because the Expected Family Contribution formula must be applied to each family's financial information, we can't tell you here whether you'll be eligible for federal student aid or estimate how much aid you might get. That's why you need to apply—to find out! For more information about your eligibility status after you get your application results, contact the financial aid office(s) at the school(s) you're considering.

I think I have some special circumstances in my family. Are those considered in determining my financial need?

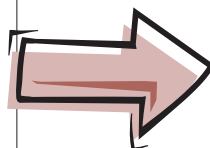


In some cases, a school's financial aid administrator might adjust your cost of attendance or the information used to calculate your EFC to take into account special circumstances you might have. These circumstances could include your family's unusual medical expenses, tuition expenses, or unemployment. The aid administrator decides whether to make an adjustment, however; his or her decision is *final* and cannot be appealed to us.

Applying for Federal Student Aid

How do I apply?

Complete the *Free Application for Federal Student Aid* (FAFSA). Applying is FREE.



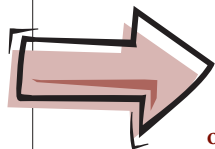
For a summary of what happens in the application process, see page 8.

But I hate filling out a bunch of paperwork.

All you need for federal student aid is our application, referred to as the FAFSA. You might have to complete an additional application to be considered for school or state aid, but many schools and states use FAFSA information for this purpose.

**Could I apply online?**

Yes, in fact, it's faster and easier than using a paper FAFSA. You can complete our online application, *FAFSA on the Web*, from your home computer or from a computer at a central location like your high school, your local public library, or your local educational opportunity center.

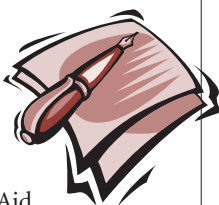


Go to **www.fafsa.ed.gov** to apply, or go through our Web site, **www.studentaid.ed.gov**. At that site, click on the FAFSA logo in the left column.

Before you apply, you should get a PIN to make the application process go even faster. See the next column for information on the PIN.

What if I decide I want a paper application?

You can get a paper FAFSA—in English or Spanish—from your local library or high school, the college or career school you plan to attend, or our Federal Student Aid Information Center (see the contact information on the inside front cover of this publication).



Just mail your FAFSA in the pre-addressed envelope that's in your FAFSA packet. Or, before mailing it, you could check to see if your school, or a school that interests you, offers the option of submitting your FAFSA data electronically.

When do I apply?

You can apply beginning Jan. 1 of your senior year in high school. You have until June 30 of the following year to submit your FAFSA. For the **2005-2006 award year**, for example, applications must be submitted **between Jan. 1, 2005 and June 30, 2006**. There are no exceptions to the deadlines.



You must reapply for federal student aid for each year you'll be enrolled in a college or career school. Eligibility is determined for one award year at a time. The results of a 2005-2006 application will be good only for the 2005-2006 award year (July 1, 2005 to June 30, 2006) and any summer terms a school considers part of that award year.

When you're a senior, try to apply as soon as possible after Jan. 1. Schools and states often have much earlier deadlines than ours. For example, school or state deadlines for 2005-2006 are often in February or March **2005**.

After you've applied for the first time, you might be able to apply more easily and quickly in later award years by completing a Renewal FAFSA. Generally, you fill out just the information that has changed from the previous award year. The Renewal FAFSA is also available online at *FAFSA on the Web*. You'll receive information about the Renewal FAFSA when it's time for you to use it.

What do I need before I fill out the Free Application for Federal Student Aid (FAFSA)?**• You need to have a Social Security Number (SSN).**

We use your SSN to verify your information and locate your federal student aid records. If you don't have an SSN yet, you should apply for one at your local Social Security office. You can find out more about applying at **www.ssa.gov**.

• It's not a requirement, but you should have a PIN.

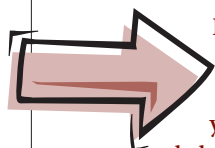
If you use our online *FAFSA on the Web* to apply for aid, having a PIN (a personal identifying number) *before* you apply lets you "sign" your FAFSA electronically at the time you submit it. That way, the student aid process can be completed quickly and totally online, and you'll get your results faster.

You request a PIN at **www.pin.ed.gov**. Don't wait until you apply to request a PIN. You can get one anytime. You'll receive your PIN either through regular mail or e-mail, if you provide your e-mail address.

Even if you fill out a paper FAFSA, you should still request a PIN because you can use it to

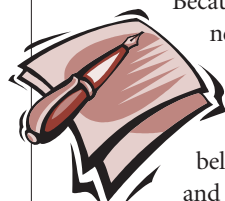
- look up your processed FAFSA data online;

- make online corrections to your application information;
- complete your Renewal FAFSA online; and
- access all your applicant data records online. For example, you can check your student loan history.



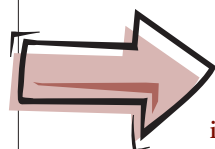
Because your PIN serves as your electronic “signature,” it has the same legal status as a written signature. So don’t ever give out your PIN to anyone—not even to anyone helping you fill out the FAFSA!

• **You’ll need to have the right documents and information to complete your FAFSA accurately.**



Because we award our aid based on financial need, you’ll need to report certain financial information on the FAFSA. For example, if you’re considered dependent on your parents—see “Dependency Status” below—you’ll need your parents’ W-2 forms and other records of money earned, as well as their U.S. income tax returns. You’ll need your own forms as well. Referring to the tax forms while you complete the FAFSA makes it easier to answer the questions. The FAFSA requires specific information from specific lines on U.S. income tax forms from the year prior to the award year (2004 tax return information for the 2005-2006 award year, for example).

If tax forms aren’t completed by the time you apply, you can complete the FAFSA with estimates of your financial information. Later, you must go back and correct your answers.



Read the instructions carefully when you fill out the FAFSA! Most mistakes are made because applicants don’t follow instructions. Pay special attention to questions on income; most errors occur in that area.

Save the documents you use when completing the FAFSA. You might need them later if your school asks you to verify your FAFSA information. If the information is incorrect, you won’t get federal student aid until you make corrections. It’s a good idea to keep a photocopy of your completed FAFSA or a printout of your application from *FAFSA on the Web*.

What if I need help filling out my application?

If you apply using our online *FAFSA on the Web*, help is built into the program while you’re completing the form. You can also “chat” live online with someone if you have questions. For additional help, you can go to www.studentaid.ed.gov/complefafsa.

You can also contact the Federal Student Aid Information Center with questions about either the paper or online FAFSA (see the inside front cover of this publication for contact information).

You can also talk to the financial aid staff at the school you plan to attend.

You can get the help you need for **free** from any of these sources; you don’t have to pay for assistance.

How can I find out the status of my application after I submit it?

If you applied through *FAFSA on the Web*, you’ll get a confirmation notice after you click on “Submit My FAFSA Now.” Your FAFSA will be processed in a few days.

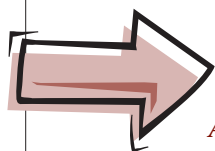
If you file a paper FAFSA, along with it you should mail the postcard that comes with the FAFSA packet. We’ll stamp the postcard with the date we received your FAFSA and mail the postcard back to you. You can also check on your application by contacting the Federal Student Aid Information Center (see the inside front cover of this publication for contact information). We’ll process your FAFSA within four weeks of the date you mail it.

How do the schools I’m interested in get my FAFSA information?

You can list up to six schools on your FAFSA. Those schools will receive your FAFSA results electronically. If you later want to make changes to that list, you can do so online using your PIN (see the previous page), or you can contact the Federal Student Aid Information Center.

Your Dependency Status

You’ll need to know whose financial information to report on your federal student aid application—yours or yours **and** your parents’ information.



When you apply for federal student aid, your answers to the questions in Step 3 of the *Free Application for Federal Student Aid* (FAFSA) (or in Step 2 of the online *FAFSA on the Web*) determine whether you're considered dependent or independent.

Dependent students must report their parents' income and assets as well as their own on the FAFSA. Our programs are based on the concept that a dependent student's parents have the primary responsibility for their child's education.

Independent students report only their own income and assets (and those of a spouse, if married). Note that not living with your parents or not being claimed by them on the tax form does not necessarily qualify you as independent.

Although you're not applying for federal student aid in the 2005-2006 academic year, let's assume you are. You would be considered an *independent* student **ONLY IF** at least one of the following criteria applied to you:

- You were born before Jan. 1, 1982.
- You are or will be enrolled in a master's or doctorate program (beyond a bachelor's degree) at the beginning of the 2005-2006 school year.
- You're married as of the day you apply (or, you're separated but not divorced).
- You have children who receive more than half their support from you.
- You have dependents (other than your children or spouse) who live with you and who receive more than half their support from you at the time you apply and through June 30, 2006.
- Both your parents are deceased, or you are (or were until age 18) a ward or dependent of the court.
- You're a veteran of the U.S. Armed Forces. (A "veteran" includes students who attended a U.S. service academy and who were released under a condition other than dishonorable. For more detail on who is considered a veteran, see the explanatory notes on the FAFSA.)

If none of these criteria applied to you for 2005-2006, you would be considered *dependent*.

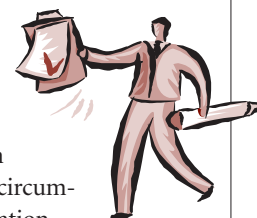
If I'm considered a dependent student at the time I apply, but my parents are divorced or separated, whose information would I report on the FAFSA?

You report information about the parent you lived with for the greater amount of time during the 12 months preceding the date of application. If you didn't live with either parent, or if you lived with each parent an equal number of days, you would use information about the parent who provided the greater amount of financial support during the 12 months preceding the date of application. If you didn't receive any parental financial support during that time, you must report information about the parent who *most recently* provided the greater amount of parental support.

If the parent you receive financial support from was a single parent who is now married, or the parent was divorced or widowed but has remarried, your stepparent's financial information is required on the FAFSA. This does not mean your stepparent is obligated to give financial assistance to you, but his or her income and assets represent significant information about the family's resources. Including this information on the FAFSA helps us form an accurate picture of your family's total financial strength.

When it's time to apply, I'll be considered a dependent student, but I have no contact with my parents. What do I do about reporting their income?

In unusual cases, an aid administrator can determine that a student who doesn't meet the independent student criteria should nevertheless be treated as an independent student. The financial aid administrator can change your dependency status from dependent to independent based on adequate documentation of your special circumstances. You must provide this documentation. But, the aid administrator won't automatically change your status. That decision is based on the aid administrator's judgment and is *final*—you can't appeal that decision to us.



The Student Aid Report (SAR)

After you apply, you'll get the results of your *Free Application for Federal Student Aid* (FAFSA). Your results are contained in your *Student Aid Report* (SAR).

If you gave us a valid e-mail address when you applied, you'll get an e-mail (within a few days) containing a secure link so you can access your SAR online. If you didn't provide an e-mail address, it will take a few weeks to receive a paper SAR.

What do I do with my SAR?



Review it carefully to make sure it's correct and complete. If it is, and your SAR contains your Expected Family Contribution (EFC)—see page 4—the schools you're interested in will use your SAR to determine your eligibility for federal, and possibly nonfederal, student aid funds.

If you need to make corrections,

- you can use your PIN (see page 5) to make them online at the *FAFSA on the Web* site, even if you didn't apply online; or

Financial Aid Application Process Summary

STEP

1

Get a PIN, an electronic access code number. With a PIN, you can apply *and* "sign" your FAFSA online, and you'll get your results faster. Also, you can make corrections to your application information and more—all online. Go to www.pin.ed.gov.



STEP

2

Collect the documents needed to apply, including income tax returns, W-2 forms, and other records of income. Tax return not completed at the time you apply? Estimate the tax information, apply, and correct information later.



STEP

3

Complete the *Free Application for Federal Student Aid* (FAFSA) between **Jan. 1, 2005 and June 30, 2006 (no exceptions to either date!)**. BUT, apply as soon as possible after Jan. 1 to meet school and state aid deadlines (see Step 4). Apply online—the faster and easier way—by going to www.fafsa.ed.gov.



STEP

4

If required, complete nonfederal aid applications for private scholarships or other state and school aid. Know your school and state deadlines.



STEP

5

Review your *Student Aid Report* (SAR)—the result of your FAFSA application. If necessary, make changes or corrections and resubmit your SAR for reprocessing. Your complete, correct SAR will contain your Expected Family Contribution (EFC)—the number used to determine your federal student aid eligibility.



STEP

6

If your school needs to verify your application information, you must submit tax returns and other documents, as appropriate, to your school's financial aid office.



STEP

7

Make sure the financial aid office staff at each school you're interested in has all the information needed to determine your eligibility.



STEP

8

If eligible for aid, review award letters from schools to compare amounts and types of aid.

- you can usually make changes to a paper SAR, if that's what you received. Then, sign it and mail it back. Make sure you keep a photocopy of your SAR containing the corrections. Note that correcting a paper SAR is a slower process than making corrections online.

If you misplace your SAR, you can request a duplicate by calling the Federal Student Aid Information Center (see the inside front cover for the number).

Once my SAR is correct and complete, how do I find out if I'm eligible and what aid I'll receive?



Contact the financial aid offices of the school(s) you're interested in. If you're eligible for federal student aid, each school will send you an award letter, telling you the types of aid it will offer and how much you can receive. This combination of aid is known as your "financial aid package." Review the award letters carefully and compare how much aid you can receive at each school.

Types of Federal Student Aid

There are three types of federal student aid: grants, work-study, and loans.

- Grants are financial aid that doesn't have to be repaid (unless, for example, you withdraw from school and owe a refund).
- Work-study allows you to earn money for your education.
- Loans allow you to borrow money for school. You must repay your loans, with interest.

You apply for all three types of aid by filling out just one application: the *Free Application for Federal Student Aid* (FAFSA). See page 4.

Grants

- There two types of grants: **Federal Pell Grants** and **Federal Supplemental Educational Opportunity Grants (FSEOGs)**.
- Generally, to receive a grant, you must be an undergraduate student (someone who hasn't earned a bachelor's or graduate degree).
- You can be enrolled full time or part time.

How much can I get?

Federal Pell Grants—Award amounts can change yearly. For the 2004-2005 award year (July 1, 2004 to June 30, 2005), grants ranged from \$400 to \$4,050.

The amount you receive depends not only on your financial need but also on your costs to attend school, your status as a full-time or part-time student, and your plans to attend school for a full academic year or less. You can receive only one Pell Grant in an award year, and you can't receive Pell Grant funds from more than one school at a time.

Federal Supplemental Educational Opportunity Grants (FSEOGs)—Awards range from \$100 to \$4,000 a year.

FSEOGs are awarded to undergraduate students with exceptional financial need—those with the lowest Expected Family Contribution (EFC) numbers (see page 4). Federal Pell Grant recipients receive priority for FSEOG awards.

What's the difference between these grants?

If you're eligible for a Federal Pell Grant, you'll receive the full amount you qualify for—each school participating in the program receives enough funds to pay the Pell amounts for all its eligible students. The amount of other student aid you might qualify for does not affect the amount of your Pell Grant.

Receiving other aid might reduce the amount of your FSEOG award. Also, each school participating in the school's FSEOG program receives a certain amount of FSEOG funds each year from the U.S. Department of Education. The school's financial aid office decides how best to award those funds. When all FSEOG funds are used for that award year, no more FSEOG awards can be made for that year—that's why not everyone who qualifies for an FSEOG might get one.

How will I be paid?

Your school can credit your grant funds to your school account, pay you directly (usually by check), or combine these methods. Also, with your permission, schools can credit your bank account. Schools must disburse funds at least once per term (semester, trimester, or quarter). Schools that don't use formally defined, traditional terms must disburse funds at least twice per academic year.

Federal Work-Study

- Provides part-time jobs allowing you to earn money to help pay for school;
- Encourages community service work and work related to your course of study, whenever possible;
- Is available to undergraduate and graduate students; and
- Is available to full-time and part-time students.

How much can I make?

You'll be paid at least the minimum wage, but you might receive more, depending on the type of work you do. You'll be paid by the hour or you might receive a salary. Your school must pay you directly at least once a month.

Can I work as many hours as I want?

No. The amount you earn can't exceed your total Federal Work-Study award. Also, when assigning work hours, your employer or financial aid administrator will consider your class schedule and your academic progress. Just as is true with the FSEOG program mentioned earlier, each school participating in the Federal Work-Study program receives a certain amount of Work-Study funds each year from the U.S. Department of Education. When all Work-Study funds are used for that award year, no more Federal Work-Study awards can be made for that year. So, you might receive less funds than you qualify for.

Where are the jobs located?

You can work either on or off campus. If you work on campus, you'll usually work for your school. If you work off campus, your employer will usually be a private nonprofit organization or a public agency, and the work performed must be in the public interest.

Your school might have agreements with private for-profit employers for Federal Work-Study jobs. If so, your job must be as relevant as possible to your course of study. If you attend a career school, there might be further restrictions on the jobs you can be assigned.

Loans

- Loans are borrowed money you must repay, with interest.
- Both undergraduate and graduate students can receive loans.
- For some loans, you don't have to demonstrate financial need.
- The amounts you can borrow depend in part on your grade level in school (see the chart on page 12).

Federal Perkins Loans

These loans are offered to students who demonstrate the greatest financial need; Federal Pell Grant recipients get top priority. **You can be enrolled full time or part time.** Each school participating in the program receives a certain amount of Perkins funds each year from the U.S. Department of Education. When all those funds are used for that award year, no more Perkins Loans can be made for that year. **You repay these loans to your school.**

Stafford Loans

These loans are for undergraduate or graduate and professional students and are made through one of two U.S. Department of Education programs:

- **William D. Ford Federal Direct Student Loan Program**—referred to as **Direct Loans or Direct Stafford Loans**. Funds for Direct Loans come from the U.S. Department of Education and are delivered to you through your school. **You repay these loans to the Department.**
- **Federal Family Education Loan (FFEL) Program**—referred to as **FFEL Stafford Loans or Federal Stafford Loans**. Funds will come from a bank, credit union, or other lender that participates in the program. **You repay these loans to your lender or its servicing agent.**

Whether you borrow a Direct or a FFEL Stafford Loan depends on which program the school you attend participates in. Most schools participate in one or the other, although some schools participate in both. It's possible for you to receive FFEL *and* Direct Stafford Loans, but not both types for the same period of enrollment at the same school.

For both types of Stafford Loans, you must be enrolled at least half time. You don't have to demonstrate financial

Student Loan Comparison Chart

Loan Program	Eligibility	Award Amounts	Interest Rate	Lender/Length of Repayment
Federal Perkins Loans	Undergraduate and graduate students; you do not have to be enrolled at least half time	Undergraduate—up to \$4,000 a year (maximum of \$20,000 as an undergraduate) Graduate—up to \$6,000 a year (maximum of \$40,000, including undergraduate loans) Amount actually received depends on financial need, amount of other aid, availability of funds at school	5 percent	Lender is your school Repay your school or its agent Up to 10 years to repay, depending on amount owed
FFEL Stafford Loans	Undergraduate and graduate students; you must be enrolled at least half time	Depends on grade level in school and dependency status (see chart on the next page) Financial need not necessary	Changes yearly; for 2004–2005 was 3.37 percent for loans in repayment For those with financial need, government pays interest during school and certain other periods	Lender is a bank, credit union, or other participating private lender Repay the loan holder or its agent Between 10 and 25 years to repay, depending on amount owed and type of repayment plan selected
Direct Stafford Loans	Same as above	Same as above	Same as above	Lender is the U.S. Department of Education; repay Department Between 10 and 30 years to repay, depending on amount owed and type of repayment plan selected
FFEL PLUS Loans	Parents of dependent undergraduate students enrolled at least half time (see page 6 for dependency status); parents must not have bad credit history	Student's cost of attendance – <u>Other aid student receives</u> = Maximum loan amount	Changes yearly; for 2004–2005, was 4.17 percent for loans in repayment; government does not pay interest	Same as for FFEL Stafford Loans above
Direct PLUS Loans	Same as above	Same as above	Same as above	Same as for Direct Stafford Loans above, except that a repayment plan based on income earned is not an option (see page 13)

need, but if you do, the government will pay the interest on your loan during certain periods (see the next page).

PLUS Loans

These are loans parents can take out for their dependent undergraduate children who are enrolled as at least half-time students. (See page 6 for information on dependency status.) The loans are made through the Direct Loan and FFEL programs mentioned above and are known either as Direct PLUS Loans or FFEL—or Federal—PLUS Loans. See page 14 for information on PLUS Loans.

What are the differences in these loan programs?

See the chart on the previous page for a quick comparison.

How do I apply for a Perkins or Stafford Loan?

You just need to complete the *Free Application for Federal Student Aid* (FAFSA). See page 4. But, you will need to

sign a promissory note, a binding legal document that says you agree to repay your loan according to the terms of the note. Read this note carefully and save it.



How much money can I get?

Perkins Loans—See the chart on the previous page.

FFEL or Direct Stafford Loans—See the chart below.

NOTE: You can’t borrow more than your cost of attendance minus the amount of any Federal Pell Grant you’re eligible for and minus any other financial aid you’ll get. So, you might receive less than the annual maximum amounts given in the chart. Note that there are no minimum award amounts.

From the chart, you’ll see that your loan limits also depend on whether you receive “subsidized” or “unsubsidized” Stafford Loans.

Maximum Annual Loan Limits for Subsidized and Unsubsidized Direct and FFEL (Federal) Stafford Loans

	Dependent Undergraduate Student	Independent Undergraduate Student	Graduate and Professional Student
1st Year	\$2,625	\$6,625—No more than \$2,625 of this amount may be in subsidized loans.	\$18,500 for each year of study—No more than \$8,500 of the annual amount may be in subsidized loans.
2nd Year	\$3,500	\$7,500—No more than \$3,500 of this amount may be in subsidized loans.	
3rd and 4th Years (each)	\$5,500	\$10,500—No more than \$5,500 of this amount may be in subsidized loans.	
Maximum Total Debt From Stafford Loans When You Graduate	\$23,000	\$46,000—No more than \$23,000 of this amount may be in subsidized loans.	\$138,500—No more than \$65,500 of this amount may be in subsidized loans. The graduate debt limit includes Stafford Loans received for undergraduate study.

NOTE: For periods of study shorter than an academic year, the amounts you can borrow will be less than those listed. Also, you might receive less if you receive other financial aid that’s used to cover a portion of your cost of attendance.

Subsidized Stafford Loan

If you demonstrate financial need (see page 4), you can receive a subsidized Stafford Loan to cover some or all of that need. If you get a subsidized loan, the U.S. Department of Education pays the interest while you're enrolled in school at least half time, for the first six months after you leave school, and during a period of deferment—a postponement of loan payments. (See page 14 for information on deferment.)

The amount of your subsidized loan can't exceed your financial need.

Unsubsidized Stafford Loan

You might be able to receive loan funds beyond your subsidized loan limit or even if you don't have demonstrated financial need. In that case, you'd receive an unsubsidized loan. For this type of Stafford Loan, you're responsible for the interest from the time the loan is disbursed to you until it's paid in full. The government does not pay your interest.

Talk with the school(s) you're interested in to find out what kind of Stafford Loan you can get and how much you qualify for.

How will I get my loan funds?

Perkins—Your school will either pay you directly (usually by check) or credit your account. Generally, you'll receive the loan in at least two payments during the academic year.

Stafford—Your school will disburse your loan in at least two installments; no installment will be greater than half the amount of your loan. If you're a first-year undergraduate student *and* a first-time borrower, your first disbursement can't be made until 30 days after the first day of your enrollment period.

Your Perkins or Stafford Loan money must first be used to pay for your tuition, fees, and room and board. If loan funds remain, you'll receive them by check or in cash, unless you give the school written permission to hold the funds until later in the enrollment period.

Other than interest, is there any other charge associated with these loans?

- **Federal Perkins Loans**—No.
- **Direct and FFEL Stafford Loans**—Yes, you'll pay a fee of up to 4 percent of the loan, deducted proportionately

from each loan disbursement. Because of this deduction, you'll receive slightly less than the amount you're borrowing.

So, when do I start repaying my loans?

After you graduate, leave school, or drop below half-time status, you must begin repayment. You have a period of time, however, called a **grace period**, before you must start making payments.

- **Federal Perkins Loans**—The grace period is **nine** months (if you're attending less than half time, check with the financial aid administrator at your college or career school to determine your grace period).
- **Direct or FFEL Stafford Loans**—The grace period is **six** months.

How much time do I have to repay?

- **Federal Perkins Loans**—Up to 10 years.
- **Direct and FFEL Stafford Loans**—Your repayment period varies from 10 to 30 years depending on whether the loan is a FFEL or a Direct Stafford Loan and depending on which repayment plan you choose. When it comes time to repay, you can pick the plan that's right for you.

The choices are

- A 10-year plan with a minimum monthly payment of \$50;
- A graduated plan with a monthly payment that starts out low and then increases gradually during the repayment period;
- An extended plan that allows you to repay your loan over a longer period; or
- A plan that bases the monthly payment amount on how much money you make. (Direct PLUS Loan [parent] borrowers are not eligible to repay their loans under this plan.)

You'll get more information about repayment choices before you leave school and, later, from the holder of your loan.

What if I have trouble repaying my loan?

Under certain circumstances, you can receive a deferment or forbearance on your loan.

Deferment—Your payments are postponed. Interest does not accumulate unless you have an unsubsidized Stafford Loan (see the previous page). If you have an unsubsidized Stafford Loan, you must pay the interest. You must meet specific conditions to qualify for a deferment. For example, you can receive a deferment while you're enrolled in school at least half time. You'll receive more information before you leave your college or career school, and you'll also get information from the holder of your loan.

Forbearance—Your payments are postponed or reduced. Interest continues to accumulate, however, and you are responsible for paying it, no matter what kind of loan you have. Your lender usually grants forbearance if you don't qualify for a deferment.

Deferment and forbearance periods don't count toward the amount of time you have to repay.

You must apply to the holder of your loan for either deferment or forbearance. Note that you must continue to make payments until you're notified your request has been granted. If you don't, you might end up in default.

What is default?

Default occurs when you don't repay your loan according to the terms you agreed to when you signed the promissory note for your loan. Defaulting on a student loan has very serious consequences. Listed below are some of them:

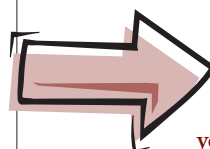
- You'll be ineligible for additional federal student aid.
- You'll be ineligible for deferment or forbearance on your loan.
- Your credit record will be damaged, which can interfere with buying what you need, like a car.
- You might have trouble getting a job.
- Legal action can be taken against you to recover what you owe.

The last thing you want to do is default! If you ever have trouble making payments, contact the holder of your loan right away to discuss options to help you out.

Are there any situations where my loan could be canceled?

Your loan can be canceled for certain specific circumstances, such as your death or total and permanent disability.

You also might qualify to have your loan canceled because of the work you do once you leave school (teaching in a low-income school, for example). You'll receive more information on cancellation provisions before you leave your college or career school.



Note that your loans can't be canceled because you're having financial problems. Also, they can't be canceled because you didn't complete the program of study at your school (unless you couldn't complete the program for a valid reason—because the school closed, for example). Cancellation is not possible because you didn't like your school or program of study, or you didn't obtain employment after you finished your program.

If you want to read more about deferment, forbearance, and cancellation, read our publication *The Student Guide*. You can access the guide at www.studentaid.ed.gov/pubs or call 1-800-4-FED-AID (1-800-433-3243) for a copy. For even more detailed information, go to our Web site at www.studentaid.ed.gov and click on the Repaying tab.

PLUS Loans (Parent Loans)

What are PLUS Loans?

Parents who have an acceptable credit history can take out a PLUS Loan (either a Direct PLUS Loan or a Federal Family Education [FFEL] PLUS Loan) to pay the education expenses of their children. Your parents can borrow for you if you're a dependent student enrolled at least half time in an eligible program at an eligible school. (See page 6 for a discussion of dependency status.)

How do my parents get a loan?

Direct PLUS Loan—Your parents must complete a Direct PLUS Loan application and promissory note, contained in a single form you can get from your school's financial aid office.

FFEL PLUS Loan—Your parents must complete and submit an application, available from your school, lender, or the guaranty agency in your state. After the school completes its portion of the application, it must be sent to a lender for evaluation. Your parents generally will be required to pass a credit check. If they don't pass, they might still be able to receive a loan if they can demonstrate

that extenuating circumstances exist, or if someone they know—who can pass—agrees to endorse the loan and promises to repay it if your parents don't.

For either a Direct or a FFEL PLUS Loan, you must meet the general eligibility requirements for federal student aid (see page 3 for the most basic ones), and your parents must also meet some of these general requirements. For example, they must be citizens or eligible noncitizens and may not be in default or owe a refund to any federal student aid program.

How much can my parents borrow?

See the chart on page 11.

Do my parents get the money or do I?

Your school first receives the loan funds and might require your parents to endorse a disbursement check and send it back to the school. The school then applies the money to your tuition and fees, room and board, and other school charges. If any loan money remains, your parents receive the amount as a check or in cash, unless they authorize the funds to be released to you. The remaining loan money must be used for your education expenses.

When do my parents begin repaying the loan?

Generally, the first payment is due within 60 days after the loan is fully disbursed. There is no grace period for these loans (see page 13). Interest begins to accumulate at the time the first disbursement is made, so your parents will begin repaying both the principal and interest while you're in school.

Your parents must pay the interest on their PLUS Loan if they have a deferment or forbearance (see the previous page).

Contacting Us for More Information

FREE help is always available to you if you have questions. Besides talking with your high school counselor or the financial aid staff at the schools you're interested in, you can access our Web site or call our Federal Student Aid Information Center. See the inside front cover of this publication for contact information.

Taking the Next Step

Before enrolling, make appointments to visit the colleges or career schools you're considering. Bring a list of questions to ask school representatives (see below and page 2 for an idea of some questions to ask). Your education is a major investment, so find out as much information as you can before you enroll.

What kind of information should I get from a school?

Ask about the school's accreditation, licensing, student loan default rate, and campus security.

- Talk to high school counselors, local employers, and your state higher education agency (see the list of agencies and their phone numbers on the inside back cover of this publication). You can also see if any complaints about the school have been filed with the local Better Business Bureau or the consumer protection division of the state attorney general's office. You can search for Better Business Bureau offices at www.bbb.org.
- Find out the school's loan default rate (the percentage of students who attended the school, took out federal student loans, and later failed to repay their loans on time). You might not be able to get aid from some of our programs at a school that has a high default rate.

Find out the school's job placement rates (the percentage of students who are placed in jobs relevant to their courses of study).

- If the school advertises its job placement rates, it must also publish the most recent employment statistics, graduation statistics, and any other information necessary to back up its claims. This information must be available at or before the time you apply for admission to the school. Also, check with local employers to see whether they have hired graduates from the school.

Find out about financial aid at the school.

You have the right to receive the following information from the school:

- the location, hours, and counseling procedures for the school's financial aid office;

- the financial assistance available, including federal, state, local, private, and institutional financial aid programs;
- the procedures and deadlines for submitting applications for each available financial aid program;
- the school's criteria for selecting financial aid recipients;
- the school's process for determining your financial need and the type and amount of assistance in your financial aid package;
- the method and timing of aid payments to you;
- the school's basis for determining whether you're making satisfactory academic progress, and what happens if you're not (whether you continue to receive federal financial aid depends, in part, on whether you make satisfactory academic progress); and
- if you're offered a Federal Work-Study job, the nature of the job, the hours you must work, your duties, the pay, and the method and timing of payment to you.

Find out about the school's refund policy.

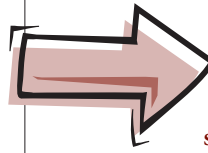
- If you enroll but never begin classes, you should get most of your money back. If you begin attending classes but leave before completing your course work, you might be able to get part of your money back.

Find out about the school's return-of-aid policy.

- If you receive federal student aid from any program mentioned in this publication (except for Federal Work-Study), and you withdraw from school, some of that money might have to be returned by you or by your school. Even if you don't finish your course work, you'll have to repay the loan funds you received, less any amount your school has returned to your lender.

Find out the school's completion and transfer-out rates.

- If many students withdraw from a school, it might indicate a problem with the school. A school is required to disclose to current and prospective students the percentage of its students who complete the school's programs and the percentage of students who transfer out of the school.



Make sure you get the information you need and check out all your options as you prepare for education after high school—and don't wait until the last minute to get started! Know what to expect from the schools you're considering and submit your *Free Application for Federal Student Aid* (FAFSA) early in the award year to see if you qualify for federal student aid.

State Higher Education Agencies

These agencies provide information on state education programs, colleges and universities, student aid assistance programs, grants, scholarships, continuing education programs, career opportunities, and some guaranty agencies. You can search the U.S. Department of Education's database at www.studentaid.ed.gov for contact information and Web addresses. At our Web site, click on "Funding," then look under "State Aid."

You can also contact the agency by calling the telephone number listed below:

Alabama	1-334-242-1998
Alaska	1-800-441-2962
Arizona	1-602-258-2435
Arkansas	1-800-547-8839
California	1-888-224-7268
Colorado	1-303-866-2723
Connecticut	1-800-842-0229
Delaware	1-800-292-7935
District of Columbia	1-202-727-6436
Florida	1-888-827-2004
Georgia	1-800-776-6878
Hawaii	1-808-956-8213
Idaho	1-208-334-2270
Illinois	1-800-899-4722
Indiana	1-317-232-2350
Iowa	1-800-383-4222
Kansas	1-785-296-3517
Kentucky	1-800-928-8926
Louisiana	1-800-259-5626
Maine	1-800-228-3734
Maryland	1-800-974-1024
Massachusetts	1-617-727-9420
Michigan	1-888-447-2687
Minnesota	1-800-657-3866
Mississippi	1-601-432-6997
Missouri	1-800-473-6757
Montana	1-800-852-2761
Nebraska	1-402-471-0030
Nevada	1-775-687-9228

New Hampshire	1-603-271-2555
New Jersey	1-800-792-8670
New Mexico	1-800-279-9777
New York	1-888-697-4372
North Carolina	1-919-549-8614
North Dakota	1-701-328-2960
Ohio	1-888-833-1133
Oklahoma	1-800-858-1840
Oregon	1-800-452-8807
Pennsylvania	1-800-692-7392
Rhode Island	1-800-922-9855
South Carolina	1-803-737-2260
South Dakota	1-605-773-3455
Tennessee	1-615-741-1346
Texas	1-888-311-8881
Utah	1-801-321-7207
Vermont	1-800-642-3177
Virginia	1-804-225-2632
Washington	1-360-753-7800
West Virginia	1-888-825-5707
Wisconsin	1-608-267-2206
Wyoming	1-307-777-7763
Puerto Rico	1-787-724-7100
Virgin Islands	1-340-774-4546

NOTE: The following numbers link to colleges, as there are no state higher education agencies in these areas.

American Samoa	011-684-699-9155
Guam	1-671-735-2440
Northern Mariana Islands	1-670-234-3690
Republic of the Marshall Islands	011-692-625-3394
Republic of Palau	011-680-488-2471

Other Federal Student Aid Publications

Read our other publications for more information. To get copies, contact the Federal Student Aid Information Center (see the inside front cover of this guide for contact information) or go online to www.studentaid.ed.gov/pubs.

The Student Guide: the most comprehensive source of information on federal student aid programs; designed for 12th grade and beyond. Information includes details on the application process and student eligibility.

College Preparation Checklist: a year-by-year list of what high school students should do to prepare for college

The Student Aid Audio Guide: for the visually impaired; describes our federal student aid programs

Looking for Student Aid: a brochure listing sources of free information about financial aid and warning about scholarship scams

Completing the FAFSA: an online resource found at www.studentaid.ed.gov/pubs; contains detailed instructions for completing the *Free Application for Federal Student Aid* (FAFSA)

Repaying Your Student Loans: for student loan borrowers about to enter repayment; contains a budget worksheet to help in loan repayment and information on repayment plan options, deferment, loan consolidation, and the consequences of default